

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

The principal purpose of these transfers is to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the statement of activities, interfunds transfers within the governmental activities, or business-type activities are netted and eliminated.

In the fund financial statements, total transfers in of \$43,758,730 are more than total transfers out of \$43,381,187 because of the treatment of transfers of capital assets to the proprietary funds from the governmental funds. During the year existing capital assets of governmental funds were transferred to proprietary funds, with a book value of \$377,543 (\$237,123 to the enterprise funds and \$140,420 to the internal service funds). No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended November 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
Special service area	\$ 750,000	\$ 3,083,000	\$ 140,000	\$ 3,693,000	\$ 238,000
General obligation*	208,809,541	70,360,000	24,431,239	254,738,302	27,758,302
Add deferred amounts for premiums	3,459,748	1,209,663	383,015	4,286,396	337,491
Debt certificates	265,000	-	265,000	-	-
Sub-totals	<u>213,284,289</u>	<u>74,652,663</u>	<u>25,219,254</u>	<u>262,717,698</u>	<u>28,333,793</u>
Other Liabilities					
Compensated absences	14,514,091	15,473,724	14,942,828	15,044,987	8,056,239
Capital leases	25,147	-	25,147	-	-
Other post-employment benefits	-	3,328,588	-	3,328,588	-
Claims and judgments – risk management	13,750,504	7,452,149	4,574,000	16,628,653	5,518,653
Claims and judgments – health, life and dental	<u>1,626,691</u>	<u>28,799,834</u>	<u>28,306,537</u>	<u>2,119,988</u>	<u>2,119,988</u>
Total Other Liabilities	<u>29,916,433</u>	<u>55,054,295</u>	<u>47,848,512</u>	<u>37,122,216</u>	<u>15,694,880</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 243,200,722</u>	<u>\$ 129,706,958</u>	<u>\$ 73,067,766</u>	<u>\$ 299,839,914</u>	<u>\$ 44,028,673</u>

* Payments on general obligation bonds include a change in the outstanding balance of the Forest Preserve Series 1989 capital appreciation bonds in the amount of \$6,390,310.

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
Revenue bonds	\$ 54,710,923	\$ 754,110	\$ 3,630,000	\$ 51,835,033	\$ 3,830,000
Installment certificates	555,000	-	555,000	-	-
Add deferred amounts for premiums	431,242	-	34,607	396,635	-
Sub-totals	<u>55,697,165</u>	<u>754,110</u>	<u>4,219,607</u>	<u>52,231,668</u>	<u>3,830,000</u>
Other Liabilities					
Other post-employment benefits	-	128,751	-	128,751	-
Compensated absences	<u>1,150,421</u>	<u>95,948</u>	<u>234,592</u>	<u>1,011,777</u>	<u>453,978</u>
Sub-totals	<u>1,150,421</u>	<u>224,699</u>	<u>234,592</u>	<u>1,140,528</u>	<u>453,978</u>
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 56,847,586</u>	<u>\$ 978,809</u>	<u>\$ 4,454,199</u>	<u>\$ 53,372,196</u>	<u>\$ 4,283,978</u>

Compensated absences of governmental activities will be liquidated primarily by the General Fund. Compensated absences of the business-type activities will be liquidated by the Public Works Fund, Golf Courses Fund, and Fox River Recreation Fund. Claims and judgments will be liquidated by the Risk and Liability Insurance Special Revenue Fund.

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 11-30-08
Governmental Activities					
Special Service Areas					
Krisview SSA No. 6	7/01/94	1/01/09	4.00 - 6.00%	\$ 717,000	\$ 100,000
North Hills SSA No. 10	2/19/97	1/01/16	4.40 - 5.90%	900,000	510,000
Spencer Highlands SSA					
No.13 – tax exempt	12/15/07	12/15/27	5.55%	2,276,000	2,276,000
Spencer Highlands SSA					
No.13 – taxable	12/15/07	12/15/27	5.55%	807,000	<u>807,000</u>
Total Governmental Activities – Special Service Areas					<u>\$ 3,693,000</u>

During fiscal year 1989, resolutions were passed to establish Special Service Areas No. 6 and No. 7 encompassing certain areas within Krisview and Acres of Woodbine Estates, respectively. These Special Services Areas were established for purposes of constructing sewage collection and transmission facilities for these areas.

On February 19, 1997, an ordinance was adopted establishing Special Service Area No. 10 which encompasses an unincorporated community known as the North Hills Subdivision. Subsequent to the formation of the Special Service Area, unlimited Ad Valorem bonds were issued in the amount of \$900,000 for the purpose of constructing a sanitary sewer system connecting the North Hills subdivision to a regional system, thereby abandoning the existing treatment plant.

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

On July 1, 1994, the county passed an ordinance providing for the issuance of \$717,000 for Special Service Area No. 6. The bonds were sold on July 1, 1994 with payments due beginning January 1, 1995 and every January 1, thereafter, through January 1, 2009. Interest on bonds is payable semiannually on the first days of January and July of each year. The annual interest rate is between 4.0 and 6.0%. Proceeds from the Special Service Area No. 6 were used to execute the escrow agreements.

On November 13, 2007 the county passed an ordinance providing for the issuance of \$3,083,000 for Special Service Area No. 13. The bonds contained both taxable (\$807,000) and non-taxable (\$2,276,000) portions. The bonds were sold on December 15, 2007 with principal payments on the taxable portion due beginning December 15, 2008, the non-taxable portion due beginning December 15, 2015 and every December 15, thereafter through December 15, 2027 for both issues. Interest on bonds is payable semi-annually on December 15 and June 15 of each year. The annual interest rate is 5.5%. Proceeds from the Special Service Area No. 13 are being used to construct a sewer system. As of November 30, 2008 the tax exempt bond fund and the taxable bond fund had unspent proceeds of \$1,625,924 and \$795,000, respectively.

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 11-30-08
Governmental Activities					
General Obligation Debt					
Series 2001	10/09/01	5/01/10	3.20 - 3.70%	\$ 4,165,000	\$ 975,000
Series 2005	6/01/05	5/01/14	3.50 - 3.70%	3,050,000	2,610,000
Series 2008	8/10/08	11/30/27	3.00 - 5.00%	35,360,000	35,360,000
Forest Preserve District					
Series 1989	1989	2009	7.00 – 7.20%	44,221,386	12,618,302
Series 1997	7/01/97	2009	4.75 – 5.50%	10,160,000	4,965,000
Series 1999	7/01/99	2009	4.65 – 5.25%	55,000,000	5,470,000
Series 2000	12/15/00	2020	4.45 – 5.75%	85,000,000	15,325,000
Series 2003	11/15/03	2012	2.00 – 5.00%	17,460,000	10,320,000
Series 2005A	6/23/05	2018	4.00 – 4.25%	35,275,000	35,070,000
Series 2006A	5/15/06	2025	5.00%	45,000,000	45,000,000
Series 2007A	5/01/07	2020	4.52%	52,555,000	52,025,000
Series 2008A	5/01/08	2027	3.25 – 5.00%	35,000,000	35,000,000
Total Governmental Activities – General Obligation Debt					<u>\$ 254,738,302</u>

On August 12, 2008 the county issued \$35,360,000 in general obligation bonds (Sales Tax Alternative Revenue Source) with an average annual interest rate between 3% and 5%. The proceeds of \$35,719,663 (including a premium of \$595,632 and \$235,969 payment of underwriting fees and other issuance costs) will be used to completely fund two projects, construction of both a new branch court facility and a health administration and behavioral health clinic building; and to partially fund construction of a central permitting facility and environmental lab building. Interest on the bonds will be paid semiannually on each May 30 and November 30, commencing May 30, 2009. Principal payments are payable annually on November 30, commencing November 30, 2009. As of November 30, 2008 \$24,391,462 remains unspent.

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

On June 1, 2005, the county issued \$3,050,000 in general obligation bonds with an average interest rate of 3.60 percent to advance refund \$2,925,000 of Series 1999 (Sales Tax Alternative Revenue Source) outstanding bonds with an average interest rate of 5.00 percent.. The net proceeds of \$3,026,479 (after payment of \$23,521 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the Series 1999 bonds are considered to be defeased and the liability for those bonds has been removed from these financial statements.

On October 9, 2001, the county passed an ordinance for the issuance of \$4,165,000 General Obligation Refunding Bonds (Sales Tax Alternative Revenue Source) with an annual interest rate between 3.2 and 3.7% to advance refund \$4,535,000 of outstanding General Obligation Bonds, Series 1995A (Sales Tax Alternative Revenue Source) with an annual interest rate between 4.5 and 4.875%. The net proceeds of \$4,141,034 (after payment of \$23,966 in underwriting fees and original issue discount) plus an additional \$447,794 of debt service monies were deposited into an escrow account and used to purchase U.S. Treasury Certificates. Those certificates matured and the cash proceeds were used to refund the General Obligation Bonds, Series 1995A. As a result, the 1995A Series bonds are considered to be defeased and the liability for those bonds has been removed from the county's financial statements.

On May 1, 2008, the Forest Preserve District issued \$35,000,000 in General Obligation Land Acquisition Bonds, Series 2008A, with an average interest rate of 4.61%. The net proceeds of \$35,273,963 (including a reoffering premium of \$614,031 and payment of \$340,068 in underwriting fees and other issuance costs) will be used to acquire forest preserve lands in order to preserve and restore wildlife habitat, trail and greenway corridors, wetlands, prairies, and forests; and to pay all related costs incidental to the issuance of the bonds, and \$950,962 is reserved to pay capitalized interest. Interest on the bonds will be payable semiannually on each December 15 and June 15, commencing on June 15, 2008. As of June 30, 2008, \$8,713,875 remains unspent.

On May 1, 2007, the Forest Preserve District issued \$52,555,000 General Obligation Refunding Bonds, Series 2007A, to advance refund a portion, \$48,825,000, of the outstanding Series 2000 General Obligation Bonds. The bonds bear interest at variable rates equal to a fixed spread (35%, 45% or 48%) above 67% of the three month LIBOR rate. The net of \$51,931,670 (after payments totaling \$623,330 in underwriting fees and other issuance costs) was used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion of the Series 2000 bonds that were refunded. As a result, a portion of the 2000 series are considered to be defeased and the liability has been removed from long-term debt. Concurrently with the issuance of bonds, the District entered into a swap agreement to swap the variable interest payment for fixed payments at the rate of 4.52%. The savings from the swap was taken as a lump-sum payment in the net amount of \$2,210,525 (after \$116,591 was used to purchase additional U.S. government securities deposited into escrow and a refund of \$9,116 of issuance costs from the variable rate bond issue was received). All exposure to variable interest rate risk was eliminated.

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

On May 15, 2006, the Forest Preserve District issued \$45,000,000 in General Obligation Land Acquisition and Development Bonds, Series 2006A, with an interest rate of 5%. The net proceeds of \$47,399,847 (including a reoffering premium of \$2,399,847 and payment of \$293,676 in underwriting fees, insurance, and other issuance costs) are to be used to acquire and improve forest preserve lands in order to preserve and restore wildlife habitat, trail and greenway corridors, wetlands, prairies, and forests; to provide flood control; to create and improve public use areas for recreation, education, and historic facilities, to pay all related costs incidental to the issuance of the bonds, and \$5,756,250 is reserved to pay capitalized interest. Interest on the bonds will be payable semiannually on each December 15 and June 15, commencing on December 15, 2006. Principal payments are due each December 15, commencing on December 15, 2009. As of June 30, 2008, \$5,473,895 remains unspent.

On June 23, 2005, the Forest Preserve District issued \$35,275,000 in General Obligation Refunding Bonds, Series 2005A, with interest rates ranging from 4.00% to 4.25% to advance refund \$33,235,000 of outstanding Series 1999 General Obligation Bonds with interest rates ranging from 3.85% to 5.625%. The net proceeds of \$35,888,160 (including a reoffering premium of \$613,160 and payment of \$211,197 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Series bonds. As a result, the 1999 bonds are considered to be defeased and the liability for the bonds has been removed from long-term debt.

The Forest Preserve District advance refunded the Series 1999 General Obligation Refunding Bonds to reduce its total debt service payments over the next nine years by approximately \$2,241,015 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,864,955. The reacquisition price exceeded the net carrying amount of the old debt by \$2,241,663. This amount is being amortized over the new debt's life, which is the same as the refunded debt.

On November 15, 2003, the Forest Preserve District issued \$17,460,000 in General Obligation Refunding Bonds, Series 2003, with interest rates ranging from 2.00% to 5.00% to advance refund \$17,895,000 of outstanding Series 1993 General Obligation Bonds with interest rates ranging from 4.95% to 5.55%. The net proceeds of \$18,408,300 (including a reoffering premium of \$948,300 and payment of \$165,635 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Series bonds. As a result, the 1993 bonds are considered to be defeased and the liability for the bonds has been removed from long-term debt.

On December 15, 2000, the Forest Preserve District issued Series 2000 General Obligation Land Acquisition and Development Bonds totaling \$85,000,000 including premium, net of accrued interest, totaling \$692,607. Proceeds of the bonds were used to acquire and improve forest preserve lands in order to preserve and restore wildlife habitat, trail, and greenway corridors, wetlands, prairies, and forests; to provide flood control; to create and improve public use areas for recreation, education, and historic facilities, and to pay all related costs incidental to the issuance of the bonds. Interest on the bonds will be payable semiannually on each June 15 and December 15, commencing June 15, 2001. Principal payments are due each December 15, commencing on December 15, 2001. The Series 2007A bonds partially refunded \$48,825,000 of the above bonds.

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

On July 1, 1999, the Forest Preserve District issued Series 1999 General Obligation Land Acquisition and Development Bonds totaling \$55,000,000 including premium, net of accrued interest, totaling \$110,377. Proceeds of the bonds were used to acquire and improve forest preserve lands in order to preserve and restore wildlife habitat, trail, and greenway corridors, wetlands, prairies, and forests; to provide flood control; to create and improve public use areas for recreation, education, and historic facilities, and to pay all related costs incidental to the issuance of the bonds. Interest on the bonds is payable semiannually on each June 15 and December 15 commencing December 15, 1999. Principal payments are due on December 15, commencing on December 15, 2000. The Series 2005A bonds partially refunded \$33,235,000 of the above bonds.

In July 1997, the Forest Preserve District issued \$10,160,000 of general obligation refunding bonds. The proceeds from the refunding issues were deposited into an irrevocable trust to satisfy the debt service requirements for the 1989 General Obligation Land Acquisition and Development Bonds. Interest on the bonds will be payable semiannually on each February 1 and August 1. Principal payments are due each February 1.

The Forest Preserve District issued general obligation capital appreciation bonds, Series 1989. The bonds were issued at an original principal amount of \$44,221,386, and will have a compounded accreted value at maturity of \$103,755,000. Of the original principal amount, \$3,349,438 is outstanding with accumulated capital appreciation of \$12,618,302 at June 30, 2008.

The arbitrage rebate rules apply to the Forest Preserve District since the Forest Preserve District has issued tax-exempt debt (Series 2006A and Series 2007A) and has used the proceeds to invest in securities that have a higher rate of return. The Forest Preserve District has incurred \$367,230 of arbitrage liability as of June 30, 2008, which is accrued in the Land Acquisition Fund and Development Projects Fund. Because of the amount of proceeds remaining at June 30, 2008, this liability may change significantly in the future.

Revenue Bonds Payable

The county has pledged future operating revenues, net of specified operating expenses, to repay \$51.8 million in revenue bonds issued since 1998. Proceeds from the bonds provided financing for improvements to the water and sewerage systems. The bonds are payable solely from operating revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require 14% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$75.2 million. Principal and interest paid for the current year and total customer net revenues were \$3,630,800 million \$1,845,426, respectively. Total customer net revenues were \$12,584,483.

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds Payable (cont.)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 11-30-08</u>
Business-type Activities					
Revenue Bonds Payable					
Series 2003A	2003	2011	5.20 – 5.50%	\$ 20,790,000	\$ 8,385,000
Series 2003B	2003	2012	2.25 – 4.125%	3,405,000	2,775,000
Series 2003C	2003	2021	4.55 – 5.65%	15,140,034	15,140,033
Series 2005S-1	2005	2024	3.75% - 4.50%	1,000,000	865,000
Series 2005S-2	2005	2017	5.20 – 5.50%	1,000,000	800,000
Series 2006A	2006	2017	4.00%	6,700,000	6,700,000
Series 2006B	2006	2021	4.25 – 4.50%	17,170,000	17,170,000
Total Business-type Activities – Bonds Payable					<u>\$ 51,835,033</u>

Revenue bonds were issued for water and sewer construction. Outstanding revenue bonds at November 30, 2008 consist of \$51,835,033 of series ordinance revenue bonds due serially December 1, 2007 through 2021 and \$1,665,000 of subordinate revenue bonds due serially December 1, 2007 through 2024.

The Series C 2003 Capital Appreciation Bonds are deep discount financial instruments which are issued in such denominations as will result in the total amount received by the purchaser at maturity being equal to \$5,000 or any integral multiple thereof. As such, a portion of the appreciation in value of each certificate “accreted” to each certificate annually. Accretion of the certificates increased the long-term obligation payable at maturity of the certificates by \$754,110, totaling \$3,545,809, at November 30, 2008.

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities</u>	
	<u>General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 27,758,302	\$ 11,140,929
2010	13,885,000	9,982,212
2011	14,045,000	9,353,038
2012	14,695,000	8,694,048
2013	15,455,000	8,024,585
2014 – 2018	73,415,000	30,833,391
2019 – 2023	56,750,000	15,179,351
2024 – 2027	38,735,000	4,996,705
Totals	<u>\$ 254,738,302</u>	<u>\$ 98,204,259</u>

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Years	Governmental Activities Special Service Areas		Business-type Activities Bonds Payable	
	Principal	Interest	Principal	Interest
2009	\$ 238,000	\$ 199,302	\$ 3,830,000	\$ 1,658,099
2010	158,000	188,486	3,585,000	1,461,048
2011	148,000	179,964	3,785,000	1,278,824
2012	164,000	170,969	3,205,000	1,085,785
2013	175,000	161,466	2,473,150	1,876,845
2014– 2018	862,000	653,150	19,581,115	9,761,627
2019– 2023	843,000	428,654	15,305,768	6,241,473
2024– 2027	1,105,000	159,868	70,000	3,150
Totals	<u>\$ 3,693,000</u>	<u>\$ 2,141,859</u>	<u>\$ 51,835,033</u>	<u>\$ 23,366,851</u>

Capital Leases

Refer to Note IV. G.

Other Debt Information

Estimated payments of compensated absences and claims and judgments are not included in the debt service requirement schedules.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The county believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

Public Works Advance Refunding

Revenue Refunding Bond Series 2003 A

The county issued \$20,790,000 of Revenue Refunding Bond Series of 2003 A on June 1, 2003, to complete a partial in-substance defeasance of the outstanding Revenue Bond Series A 1993 bonds. An irrevocable trust was established to handle the partially refunded future principal and interest payments. The partially refunded outstanding principal at November 30, 2008 was \$8,385,000.

LAKE COUNTY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS November 30, 2008

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Public Works Advance Refunding (cont.)

Crossover Refunding Bonds Series 2006 B

On November 2, 2006, the public works issued \$17,170,000 in revenue bonds with interest rates between 4.25% - 4.50% to refund \$16,611,835 of callable bonds with interest rates from 4.90% - 5.65%. The proceeds were deposited in an account to provide for future debt service payments on the new bonds until the crossover date, June 1, 2013. The bonds are not considered to be defeased and the liability for those bonds as well as the escrow account are recorded in the financial statements. This type of advance refunding is commonly called a crossover refunding.

G. LEASE DISCLOSURES

Lessee – Capital Leases

The county has no material capital leases outstanding.

Lessee – Operating Leases

The county has no material operating leases with a remaining noncancellable term exceeding one year.

Lessor – Capital Leases

The county has no material outstanding sales-type or direct financing leases.

Lessor – Operating Leases

The county does not receive material lease payments from property rented to others.